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# **“It’s Mine! No, It’s Mine! No, It’s Mine!”**

## **Works-Made-For-Hire, Section 203 of the Copyright Act, and Sound Recordings**

[ By Adam Halston Dunst\* ]

**U**nder Section 203 of the 1976 Copyright Act, assignments of copyrights by authors after January 1, 1978, are subject to termination starting 35 years through 40 years after the date of the grant, regardless of any term stated in the agreement.<sup>1</sup> Congress intended that authors have the opportunity to repossess copyrights and enjoy future rewards of

in advance.<sup>4</sup> Conversely, works-made-for-hire are not subject to any terminations.<sup>5</sup> This is the key consequence in deciding whether a record company owns a sound recording as a work-made-for-hire or as an assigned copyrighted work.

The year 2013 marks the date that the first sound recordings will be subject to §203 termination.<sup>6</sup> However, because the notification windows for terminations of those 1978

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their creative works at a point in time when they have a better sense of their works’ values and more bargaining power.<sup>2</sup> This “second bite at the apple” protects authors from transfers for which they were inadequately compensated.<sup>3</sup> To protect authors’ interests, the Copyright Act does not allow them to contract away or waive these termination rights

recordings just started opening in 2003, the issue is ripe for litigation and resolution.<sup>7</sup> A number of scholars and authors consider these sound recordings to be ticking time bombs that will erupt into a significant amount of litigation.<sup>8</sup> As most know, the vast majority of sound recordings have very minute economic value 35 years later, although there are exceptions.

For artists like The Beatles, Led Zeppelin, Bob Dylan, Bruce Springsteen, and others, recordings can carry substantial value in the future.

## I. Are Sound Recordings Works-Made-for-Hire?

### A. The Setup

The 1976 Act gives two alternative tests to determine whether something is a work-made-for-hire.<sup>9</sup> First, if an employee creates a work within the scope of employment, it is a work-made-for-hire.<sup>10</sup> The second test considers works as works-made-for-hire if they are "specially ordered or commissioned" under a written work-made-for-hire agreement *and* if the works fall into one of nine specified categories of works: "as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instruc-

ing secondary contributors.<sup>14</sup> This may not have been the case in the 1960's, but for most if not all of the past 25 years, it is representative of how artists make sound recordings.<sup>15</sup> However, the application of the test may be more ambiguous with respect to secondary artists, engineers, and producers, who may or may not be hired as employees by the featured artists or record companies.<sup>16</sup>

Future litigation will focus on whether sound recordings are specially commissioned works under the second test. Noticeably absent from the nine categories are sound recordings, but many argue this does not preclude considering them in other categories.

Typically, contracts between record companies and artists have dual clauses, first claiming that the sound recordings are works-made-for-hire, and then in the alternative, if for some reason the record company cannot be the owner of the work as a work-made-for-hire, that the artist transfers all rights in the recordings to

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tional text, as a test, as answer material for a test, or as an atlas."<sup>11</sup>

To determine whether an artist is an employee or independent contractor, the Supreme Court applied agency law in *Community for Creative Non-Violence v. Reid* to set forth a multi-factor test, with no single factor being determinative.<sup>12</sup> The factors considered were, *inter alia*: right to control; discretion; duration of relationship; hired party's role in hiring and paying assistants; tax treatment of hired party.<sup>13</sup>

In typical scenarios, the featured artists on the sound recordings will not fit under the employee definition. Most artists have nearly complete control over the production of the sound recordings, from creative aspects to hir-

ing the record company.<sup>17</sup> Language alone is not enough to confer work-made-for-hire status on something that otherwise does not fall under the definition of work-made-for-hire of the 1976 Act.<sup>18</sup>

Record companies will argue that sound recordings fall under either the "contribution to collective works" or "compilations" categories. A "collective work" is a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works themselves, are assembled into a collective whole.<sup>19</sup> A "compilation" is a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in

such a way that the resulting work as a whole constitutes an original work of authorship. The term "compilation" includes collective works.<sup>20</sup>

### B. The 1999 "Technical Amendment"

In 1999, rather covertly, under the guise of a "technical amendment," Congress added sound recordings to the list of specially-commissioned works-made-for-hire.<sup>21</sup> Congress took this measure without the studies, debates, and research that normally would accompany such a change.<sup>22</sup> The amendment would have applied prospectively, still leaving the status of works delivered between 1978 and 1999 unsettled.<sup>23</sup> However, great concern over artists' rights as a result of the amendment caused an uproar, and Congress was convinced to overturn the law in 2000.<sup>24</sup> Congress went even further and included language in § 101 to the effect that neither the amendment, nor the language deleted from the amendment, should be given any legal significance in any future judicial determination.<sup>25</sup>

Essentially, in the face of great dispute, Congress decided to remain silent on the issue of whether sound recordings can be encompassed within any of the enumerated categories. Thus, the problem has been relegated to the federal circuits, with the prospect of someday reaching the Supreme Court.

### C. What the Courts are Saying

Upon initial consideration, the trend of judicial decisions appears to be falling against the record companies' arguments. However, the issue of whether sound recordings can fall under either the "compilations" or "collective works" categories has not been litigated fully.

The only appellate circuit case on this dispute offers little enlightenment. In 1997, in *Lulirama Ltd. v. Axxcess Broadcast Services, Inc.*,<sup>26</sup> the Fifth Circuit narrowly held that sound recordings were not included in the category "audiovisual works."<sup>27</sup> In 1999, a district court in *Ballas v. Tedesco*,<sup>28</sup> held that the sound recordings in dispute in the case did not fall within any of the nine categories, and thus were not works-made-for-hire.<sup>29</sup> Later that year, citing *Lulirama* and *Ballas*, another district court held in *Staggers v. Real Authentic Sound*,<sup>30</sup> that sound recordings did not fall within any of the nine

categories, and therefore could not be made-for-hire.<sup>31</sup>

It appears that none of the parties involved in the above cases argued that sound recordings could fall under the "collective works" or "compilations" categories, and the opinions, in turn, fail to discuss why they could not be categorized as such. Instead, a bright-line rule prevailed.

In 2000, on the opposing side of the argument, the district court expressly held that CDs were compilations in *UMG Recordings v. MP3.com*.<sup>32</sup> However, the works-made-for-hire issue was not fully addressed as the focus of the case was on how to determine damages for infringement by a third party, rather than the battle between the artists and record companies. A per se rule sweeping all CDs into the compilations category is overbroad, just as sweeping all CDs out of the compilations category is overbroad.

### D. Does the Statute Help?

The lack of guidance in the judicial opinions with respect to the "compilations" and "collective works" categories does not give the decisions much value as precedent. Therefore, one must look to the statute and its legislative history.

One viewpoint on why sound recordings were not included in the nine enumerated categories of § 101 is that the legislative history indicates that the nine categories reflect a thoroughly considered, careful balance of rights, and thus the omission was intentional.<sup>33</sup> A countering view is that work-made-for-hire language was drafted in the 1960's, prior to the time that sound recordings were granted federal copyright protection in 1972, and a category would not be enumerated for works not under federal protection.<sup>34</sup> However, this view is problematic, since work-made-for-hire language was mostly complete by 1966, and interested parties would have had from the passage of the 1971 Sound Recording Act until 1976 to add sound recordings.<sup>35</sup>

Language from the House Report accompanying the 1976 Act seems to suggest that sound recordings might be compilations in its discussion on authorship of sound recordings when it states that authorship involves "capturing and electronically processing the sounds,

and *compiling* and editing them to make the final sound recordings."<sup>36</sup> Also, arguably, under the language of the statute, an average sound recording contains various musical performances and is thus "collective."<sup>37</sup> However, at no point in the legislative history of the definitions of works-made-for-hire, collective works, or compilations are sound recordings discussed.<sup>38</sup> Most likely, Congress did not intend for sound recordings to be characterized under those categories. Since they could fit under the plain language definitions, however, the answer is unclear.

## II. What Should the Courts Do Under Current Law?

Because of the ability of the plain language definitions of "collective works" and "compilations" to contain sound recordings, it would be error to hold that, *per se*, sound recordings cannot be works-made-for-hire. How-

If the courts continue to hold that sound recordings cannot be specially commissioned works-made-for-hire, the result will be a world of uncertainty, as the various parties<sup>39</sup> who contribute creatively and share intent to merge such contributions into a unitary whole may all have claims to the copyright under the joint authorship doctrine.<sup>40</sup> In many cases, it will be nearly impossible to determine who can terminate the grant, and if a sufficient majority has decided to terminate.<sup>41</sup> Though the goal of allowing authors to reap benefits from their creations arguably is furthered by this route, the resulting uncertainty runs contrary to the Copyright Act's goals of certainty and reduction of transaction costs. Record companies will be unsure over with whom they must negotiate. These uncertainties and transaction costs, as well as litigation over the identities of the author(s), will chill distribution of creative works.

**"Because of the ability of the plain language definitions of 'collective works' and 'compilations' to contain sound recordings, it would be error to hold that, *per se*, sound recordings cannot be works-made-for-hire."**

ever, this does not mean that sound recordings are always works-made-for-hire. The easily resolved case is when no written works-made-for-hire agreement exists, and therefore regardless of intent or the nine categories, the work cannot be made-for-hire. Also, instances in which completed sound recordings are shopped around by artists to record companies should be considered transfers, as they are not specially ordered. Under the current law, courts should make fact-intensive analyses on individual cases and refrain from bright-line rules.

## III. Potential Difficulties of Maintaining the Status Quo

## IV. The Solution: How About a Compromise?

New retroactive legislation to clear the issue is needed: a compromise that exempts featured artists from work-made-for-hire status, but includes secondary contributors.<sup>42</sup> Other parties, such as producers, should be exempted as well if they are key creative contributors.<sup>43</sup> Sound recordings would be joint works that are in part works-made-for-hire, and in part works of individual authors.<sup>44</sup> The world of potential authors with termination rights would be limited, resulting in more certainty regarding the parties with whom record companies would have to transact and negotiate.<sup>45</sup> Record companies would have lower

transaction costs while they attempt to renew transfers.

Between the time at which notice of termination is given, and the effective date of termination, a window exists when the original author cannot make grants to new parties.<sup>46</sup> However, the law favors the original grantee (the original record company), and a new grant can be executed to that party during the window period.<sup>47</sup> Consequently, there already exists some disadvantage to the artist in not renewing the grant, because during this limbo period, the record company might provide less support to the sound recordings, thus damaging potential future profitability to the artist.<sup>48</sup>

By enacting legislation with the above compromise, record companies would have to negotiate a new transfer, possibly at better terms for the artist. But, since the record company already has the exclusive opportunity to receive a new grant during the limbo period and has certain tactical economic advantages available to it,<sup>49</sup> the narrowing of potential authorship claimants gives the record companies an even greater advantage.<sup>50</sup>

## V. What Can the Players Do in the Meantime?

Without new legislation on the horizon, record companies and artists should take self-help measures to protect their interests. Essentially, the measures would be available for not-yet-made or transferred sound recordings.

### A. The Artists

Attorneys should advise artists to take a stand on their contracts. Instead of relying on the hope that the work-made-for-hire language will not hold up in court, they should strive to strike such language from the contracts. Granted, this might not work for many artists without bargaining leverage, but at least for proven artists, the option might be viable. Those artists could also agree to leave the language in the contract in exchange for other concessions.

### B. The Record Companies

Record companies can take advantage of new and developing technologies to mitigate potential terminations by preparing derivative

works containing the sound recordings of the artists, which would sustain terminations.<sup>51</sup> Examples of this might be to release video-CD formats that also contain the songs before termination is effected so that the derivative work can be distributed after distribution of the original album has to be ceased. Of course, the new work would have to meet the originality requirement for derivative works.<sup>52</sup> This leads to another solution that record companies can take to ensure both certainty and works-made-for-hire status for the songs. They can stop making sound recordings and move to making audiovisual works, which are one of the nine categories that can be specially commissioned works-made-for-hire.<sup>53</sup> Perhaps these new formats might be a way to combat Internet piracy as well.

Structuring the record company-artist relationship to resemble a traditional employer-employee relationship would allow the sound recordings to fall within the first test for works-made-for-hire.<sup>54</sup> Whatever the merits of this approach, it is unlikely the relationship will revert to its form in the 1950's, when record companies typically employed musicians, did all the hiring of secondary contributors, and made all creative decisions.<sup>55</sup> Also, exerting such control over the artists' working conditions might stifle desired creativity.

## VI. Conclusion

So, whose is it? Under current law, much difficulty exists regarding to whom the sound recording might belong 35 years later. Although record companies can take advantage of new technologies to circumvent the issue in the future, at least for already produced sound recordings, the proposed compromise will give benefits to both sides of the debate. In addition, it will ensure that needless litigation does not keep sound recordings locked away from artists' adoring fans.

## ENDNOTES

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<sup>1</sup> 17 U.S.C. § 203 (2003).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> 17 U.S.C. § 203(a)(5).

<sup>5</sup> 17 U.S.C. § 203(a).

<sup>6</sup> 17 U.S.C. § 203.

<sup>7</sup> 17 U.S.C. § 203(4).

<sup>8</sup> See Randy S. Frisch & Matthew J. Fortnow, *The Time Bomb in the Record Company Vaults*, in ENTERTAINMENT, PUBLISHING AND THE ARTS HANDBOOK 111 (1993-94).

<sup>9</sup> 17 U.S.C. § 101.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> 490 U.S. 730 (1989).

<sup>13</sup> *Id.* at 752.

<sup>14</sup> See Frisch & Fortnow, *supra* note 8, at 115-16.

<sup>15</sup> David Nimmer and Peter S. Menell, *Sound Recordings, Works for Hire, and the Termination-of-Transfers Time Bomb*, 49 J. COPR. SOC'Y 387, 393 (2001).

<sup>16</sup> Corey Field, *Their Master's Voice? Recording Artists, Bright Lines, and Bowie Bonds: The Debate Over Sound Recordings as Works Made For Hire*, 48 J. COPR. SOC'Y 145, 178-79 (2000).

<sup>17</sup> STANDARD RECORD DEAL PROVISIONS § 5.01 (provided by John Luneau) (on file with author).

<sup>18</sup> 17 U.S.C. § 101.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> Jay Cooper & Ken Burry, *The Works Made for*

*Hire Conundrum*, in TALENT IN THE NEW MILLENNIUM, presented by the International Association of Entertainment Lawyers at MIDEM, Cannes (2001).

<sup>22</sup> *Id.*

<sup>23</sup> See Nimmer & Menell, *supra* note 15, at 395.

<sup>24</sup> See Cooper & Burry, *supra* note 21.

<sup>25</sup> 17 U.S.C. § 101.

<sup>26</sup> 128 F.3d 872 (5th Cir. 1997).

<sup>27</sup> *Id.* at 878.

<sup>28</sup> 41 F. Supp. 2d 531 (D.N.J. 1999).

<sup>29</sup> *Id.* at 541.

<sup>30</sup> 77 F. Supp. 2d 57 (D.D.C. 1999).

<sup>31</sup> *Id.* at 64.

<sup>32</sup> 109 F. Supp. 2d 223, 225 (S.D.N.Y. 2000).

<sup>33</sup> See Field, *supra* note 16, at 176-77.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> H.R. Rep. No. 94-1476, at 56 (1976) (emphasis added).

<sup>37</sup> Mary LaFrance, *Authorship and Termination Rights in Sound Recordings*, 75 S. Cal. L. Rev. 375, 389 (2002).

<sup>38</sup> *Id.*

<sup>39</sup> Including other musicians, vocalists, producers, engineers, etc.

<sup>40</sup> See LaFrance, *supra* note 37, at 392-93.

<sup>41</sup> *Id.*

<sup>42</sup> See Sound Recordings as Works Made for Hire: Hearing Before the House Subcommittee on Courts and Intellectual Property, 106th

Cong. (May 25, 2000) (statement of Marybeth Peters, Register of Copyrights), *available at* <http://lcweb.loc.gov/copyright/docs/regstat52500.html> [hereinafter Peters].

<sup>43</sup> *Id.* Peters uses the term "key contributors" to describe those who would have termination power. These parties would have to be clearly defined by contract, and could include producers like Phil Spector, whose contribution of authorship can meet or exceed the featured artist's.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> 17 U.S.C. § 203(b)(4) (2003).

<sup>47</sup> *Id.*

<sup>48</sup> See Field, *supra* note 16, at 182–83.

<sup>49</sup> See *supra* notes 39–40 and accompanying text.

<sup>50</sup> See Field, *supra* note 16, at 179–84.

<sup>51</sup> 17 U.S.C. § 203(b).

<sup>52</sup> 17 U.S.C. § 101.

<sup>53</sup> See LaFrance, *supra* note 37, at 397–403. LaFrance notes legal consequences of this include not being able to prohibit commercial rentals.

<sup>54</sup> 17 U.S.C. § 101.

<sup>55</sup> See Cooper & Burry, *supra* note 21.



